Verso Second Quarter 2017 Results

Earnings Conference Call and Webcast – August 9, 2017

Forward Looking Statements

In this presentation, all statements that are not purely historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this presentation include, but are not limited to, our guidance for the third quarter of 2017 and the full year of 2017, our statement concerning our plans to sell the Wickliffe Mill including the timing of the expected sale and use of proceeds and our statement concerning our expected cost reductions. Forward-looking statements may be identified by the words "believe," "expect," "anticipate," "project," "plan," "estimate," "intend," "potential" and other similar expressions. Forward-looking statements are based on currently available business, economic, financial, and other information and reflect management's current beliefs, expectations, and views with respect to future developments and their potential effects on Verso. Actual results could vary materially depending on risks and uncertainties that may affect Verso and its business. Verso's actual actions and results may differ materially from what is expressed or implied by these statements due to a variety of factors, including those risks and uncertainties listed under the caption "Risk Factors" in Verso's Form 10-K for the fiscal year ended December 31, 2016 and from time to time in Verso's other filings with the Securities and Exchange Commission. Verso assumes no obligation to update any forward-looking statement made in this presentation to reflect subsequent events or circumstances or actual outcomes.

Business Overview

B. Christopher DiSantis

Chief Executive Officer

Macro Level Update

- *Treadmill effect continues pulling down the top line for Graphic Papers.*
  - Digitization hitting magazines and catalogs. E-commerce trends on same trajectory impacting retail.
  - Q2 2017 net sales down 7% vs. Q2 2016. However, less than 11% decline realized in Q1 2017 vs. PY.
  - Shutdown of the No. 3 line at the Androscoggin Mill contributed 4% to Q2 2017 sales decline vs. Q2 2016.
  - Achieved growth in digital products, Productolith Points (packaging market) and other areas.
  - Building robust product development pipeline.

First Half 2017 Key Market Indicators (US)	vs. Prior Year
Magazine Ad Pages	-15.4%
Catalog Mailings [1]	-5.7%
Commercial Printing	+0.2%
CFS Apparent Consumption [2]	-2.1%
CGW Apparent Consumption [2]	-3.1%
CFS Imports (% of demand)	+2.0%
CGW Imports (% of demand)	-0.3%

Source: RISI

- *Substantial downward price pressure realized, but price increases announced.*
  - Market pressure continues with pricing off 3% vs. Q2 2016.
  - Announced $40/ton price increases; realization this year is TBD.
  - Imports largest threat, but Euro at $1.19[3] changes landscape; $1.14 at end of Q2.
  - Pulp pricing strong with $118/ton total price increases announced in Q2.

[1] Only 5 months. | [2] Seasonally adjusted. | [3] As of August 2, 2017.

Macro Level Update *Continued*

- *Specialty products (23% of Verso YTD revenue) performing well.*
  - Specialty products up from 21% of total revenue in 2016.
  - Coated machine-glazed (MG) products at record level.
  - Uncoated MG products growing.
    - Since their launch in late January, Natural Kraft (NK) grades on No. 5 machine at Androscoggin Mill have grown from 5% of volume in Q1 to 40% in July.
    - No. 5 machine utilization up to 78% in July and growing.
  - Roll release liner continues to gain share and customer preference.
    - On pace for full year forecast of 20% growth over prior year.
  - Robust product development pipeline with focus on No. 5 machine portfolio expansion, release liner, and an expanded face paper offering.
  - Mix dynamics improving; average selling price per ton up 2% YTD vs. 2016.
  - Androscoggin Mill is being evaluated for additional capital investment for expanded product line offerings and to enhance cogeneration capabilities.

Challenging Quarter for Verso

- *Falling price is not sustainable.*
  - Lost $12M in pricing vs. the prior quarter sequentially and lost $19M vs. prior year. Deflationary prices simply do not work given the economic profile of Verso considering the costs that go into manufacturing the product and necessary investment to maintain future capabilities.
- *Rising input costs offset the good progress made in productivity and SG&A.*
  - $11M in net inflation driven by chemicals (e.g. latex) and natural gas prices overshadowed the gains we achieved in wood costs.
- *Mills are economic machines built to run wide open. Downtime is a real impediment to making any kind of profit.*
  - Downtime cost $16M in Q2 vs. Q1 and $19M vs. prior year. Most was intentional to pull forward outages and as an initiative to reduce inventory and lean out our system.
  - It is imperative to get inventory down and then reestablish an optimal, synchronized load on the mills to keep them full. They can't run effectively with holes in the schedule.
  - Mills have high fixed costs and extreme operating leverage with great sensitivity to operating rates.

Verso Tactical Response

- *Strong emphasis on driving cash flow and reducing debt.*
  - Achieved $54M reduction in total inventory in Q2 as we forced synchronization of supply with demand. Additional upside exists.
  - Continue partnering with suppliers to extend terms. Made good progress thus far with $13M in AP gains in Q2, but there is more to be done. Efforts to dual-source and phase out suppliers that don't show flexibility are well underway.
  - Expect to sell Wickliffe Mill in Q3 and use proceeds to reduce debt.

- *Attack on cost continues. Expect to exceed announced $25M in SG&A / OH reduction goal for the full year.*
  - Phase 1 of cost reductions well underway.
  - Closed former HQ in Memphis, TN.
  - Reduced 100 positions across Verso, restructured reporting relationships and changed compensation plans.
  - Hired a new CIO to lead IT.
  - Continuing benefits and systems harmonization.
  - Before year end, plan to launch Phase 2 of cost reductions with a prime focus on the supply chain, energy and purchased inputs.

Verso Tactical Response *Continued*

- *Reviewing the landscape of conversion opportunities across the mills.*
  - Looking at low cost conversion opportunities with short, rapid paybacks and higher cost conversions that fundamentally reposition the business into SBS, carton and containerboard liner, specialty/bag and other products.
  - Engaged a deep pool of outside advisors who have successfully converted graphic paper mills in the past.

- *Strategic option evaluation progressing nicely.*
  - Considering a variety of alternatives and funding requirements with a focus on enhancing shareholder value.
  - Reevaluating our mill/line capacity relative to demand and production footprint to reset for 2018.
  - Applying a high level of scrutiny to Specialty and Graphic Papers, the entire mill system and each mill individually.
  - Different strategies can apply to different mills: e.g. exploit low cost position in graphic papers, capitalize on new product development and grow, reposition into new products, downsize the operations, etc.

Verso Tactical Response *Continued*

- *Building momentum going into Q3.*
  - Implementing price increases will yield results.
  - Pulling forward the Wisconsin Rapids outage allows us to capitalize on the typically stronger part of the season.
  - Improving cost profile with structurally lower SG&A.
  - Fighting back against short AP terms and rising input costs.
  - Reducing inventory also lowers related costs (storage, logistics, insurance, obsolescence, damage, etc.).
  - Expecting less downtime.
  - Likely selling Wickliffe Mill.

CEO Closing Comments

- Good progress reviewing strategic options. Starting to narrow the field.
- Leveraging Specialty Papers business by managing mix on Androscoggin Mill's No. 4 machine, filling No. 5 machine, and pushing new products at Stevens Point Mill.
- Resolved to being the unquestioned leader in the graphic paper space and true supply chain partners with our customers.
- Extreme focus on managing cash flow to increase liquidity and reduce the term loan balance in an expedited fashion.
- Well positioned and setting the stage for improved results in 2H17.

"Despite a tough quarter, our team continues to relentlessly pursue every opportunity for value creation."

Financial Overview

Allen Campbell

SVP and Chief Financial Officer

Lookback on 2Q17 vs. 1Q17

Victories in 2Q vs. 1Q

- Improved AP terms by $13M.
- Decreased inventory by $54M.
- Reduced net debt by $28M.
- Decreased term loan by $4M.
- Increased liquidity by $30M.
- Completed outage at Wisconsin Rapids.
- Reduced SG&A by $9M.
- Expanded commercial acceptance of NK on No. 5 machine.
- Launched $40/ton price increases 7/1.
- Reduced Safety TIR = .93 vs. 1.07.

Challenges in 2Q vs. 1Q

- Lost $12M in pricing.
- Sales volume down $20M.
- Adjusted EBITDA off $30M vs. Q1.
- Trailing leverage up from 1.65 to 1.99.
- Downtime cost $16M.
- Input cost inflation of $11M vs. PY.
- Reliability and productivity challenges.
- Some outage issues.

Impactful value creation initiatives completed and nice work on those items we control, but offset by Treadmill Effect difficulties.

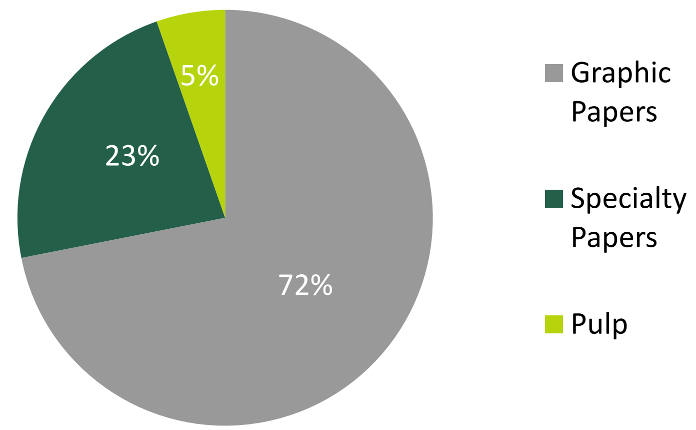
Key Items for the Quarter

- Strong safety performance continues, TIR and LWIR both lower than last year.
- Price increases announced during Q2 on pulp; Q3 price increases announced for coated grades, digital, and specialty product lines.
- Sales tonnage volume down 5% vs. prior year; price down 3% vs. prior year. Nearly all volume decline was related to the closure of No. 3 machine.
- SG&A savings achieved through position elimination and organizational changes; on track to achieve yearly targets.
- Reduced total inventory $54M.
- Working capital reduction initiatives continue yielding strong results.
- Significantly improved liquidity in Q2 allowed for an additional $20M voluntary payment on the term loan in July; yields significant arbitrage savings.
- Natural Kraft (NK) products being well-accepted with 25% of No. 5 machine volume in June and 40% in July.

Key Metrics

	Q2-16	Q2-17	Δ	Δ %
Shipments (000 tons)				
- Paper	693	661	(32)	-5%
- Pulp	63	58	(5)	-8%
Total	755	719	(37)	-5%
NSP ($/ton)				
- Paper	$862	$839	(23)	-3%
- Pulp	$521	$524	3	1%
Inventory ($M)	$498	$408	(90)	-18%

Q2 2017 Revenues



- CGW web, CFS (web and sheets) and SC driving the lower overall volume primarily due to the No. 3 machine closure at the Androscoggin Mill.
- Pulp shipments down 8% vs. prior year.
- All graphic paper grades negatively impacting price.
- Average price per ton for specialty grades holding as a result of mix.
- Pulp price experiencing recovery from low last half 2016.

Q2 2017 Profit and Loss

	Predecessor	Successor	
(Dollars in millions)	Q2-16	Q2-17	Δ
Net sales	$ 630	$ 585	$ (45)
Costs and expenses:			
Cost of products sold	548	571	23
Depreciation, amortization, and depletion	45	27	(18)
Selling, general, and administrative expenses	40	24	(16)
Restructuring charges	7	2	(5)
Operating income (loss)	(10)	(39)	(29)
Interest expense	11	10	(1)
Income (loss) before reorganization items, net	(21)	(49)	(28)
Reorganization items, net	12	-	(12)
Income (loss) before income taxes	(33)	(49)	(16)
Income tax expense	-	-	-
Net income (loss)	$ (33)	$ (49)	$ (16)
EBITDA[1]	$ 23	$ (12)	$ (35)

- Volume and price down driving lower revenue and margin due to competitive market pressures.
- SG&A down $16M in Q2 2017 due to cost-reduction initiatives implemented by management and $7M reclassified as COGS related to operations costs in 2017.
- Depreciation run rate decreased from approx. $15M/month in Q2 2016 to $9M/month in Q2 2017 due to capacity reductions at our Androscoggin Mill and to fresh start revaluation of assets.

[1] See Appendix for reconciliation of net income to EBITDA

Q2 2017 Adjusted EBITDA

	Predecessor	Successor	
(Dollars in millions)	Q2-16	Q2-17	Δ
EBITDA	$ 23	$ (12)	(35)
Reorganization items, net	12	-	(12)
Restructuring charges	7	2	(5)
Other severance costs	1	5	4
Other items, net	3	1	(2)
Adjusted EBITDA[1]	$ 46	$ (4)	(50)
Adjusted EBITDA margin %	7.3%	-0.7%	-8.0%
Gross margin	$ 82	$ 14	$ (68)
Gross margin %	13.0%	2.4%	-10.6%

- Restructuring costs related to the closure of the Wickliffe Mill (2016/2017) and HQ consolidation (2017).
- Gross margin decline driven by product pricing declines, input costs increases, market downtime, production mix and reliability issues.

[1] See Appendix for reconciliation of net income to Adjusted EBITDA

YTD 2017 Profit and Loss

(Dollars in millions)	Predecessor YTD 2016	Successor YTD 2017	Δ
Net sales	$ 1,320	$ 1,201	$(119)
Costs and expenses:			
Cost of products sold	1,166	1,131	(35)
Depreciation, amortization, and depletion	93	60	(33)
Selling, general, and administrative expenses	87	57	(30)
Restructuring charges	151	4	(147)
Other operating income	(57)	-	57
Operating income (loss)	(120)	(51)	69
Interest expense	37	19	(18)
Income (loss) before reorganization items, net	(157)	(70)	87
Reorganization items, net	(36)	-	36
Income (loss) before income taxes	(121)	(70)	51
Income tax expense	-	-	-
Net income (loss)	$ (121)	$ (70)	$ 51
EBITDA[1]	$ 9	$ 9	$ -

- Volume and price down driving lower revenue and margin due to competitive market pressures and the idling of No. 3 machine in Q1 2017 .
- SG&A down $30M due to cost-reduction initiatives implemented by management, elimination of pre-reorganization related costs from 2016 and $14M reclassified as COGS related to operations costs in 2017.
- Depreciation annual run rate decreased from approx. $16M/month in 2016 to $9M/month in 2017 (excludes $6M of accelerated depreciation related to idling of No. 3 machine) primarily attributable to fresh start revaluation of assets.

[1] See Appendix for reconciliation of net income to EBITDA

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YTD 2017 Adjusted EBITDA

(Dollars in millions)	Predecessor YTD 2016	Successor YTD 2017	Δ
EBITDA	$ 9	$ 9	-
Reorganization items, net	(36)	-	36
Restructuring charges	151	4	(147)
(Gain) loss on disposal of assets	(57)	-	57
Pre-reorganization costs	6	-	(6)
Other severance costs	2	5	3
Other items, net	11	4	(7)
Adjusted EBITDA[1]	$ 86	$ 22	(64)
Adjusted EBITDA margin %	6.5%	1.8%	-4.7%
Gross margin	$ 154	$ 70	$ (84)
Gross margin %	11.7%	5.8%	-5.9%

- Restructuring costs relate to the closure of the Wickliffe Mill (2016/2017) and HQ consolidation (2017).
- Gains on disposal of assets relate primarily to the sale of the Androscoggin hydroelectric facility.
- Gross margin decline driven by product pricing declines, input costs increases, market downtime, production mix and reliability issues.

[1] See Appendix for reconciliation of net income to Adjusted EBITDA

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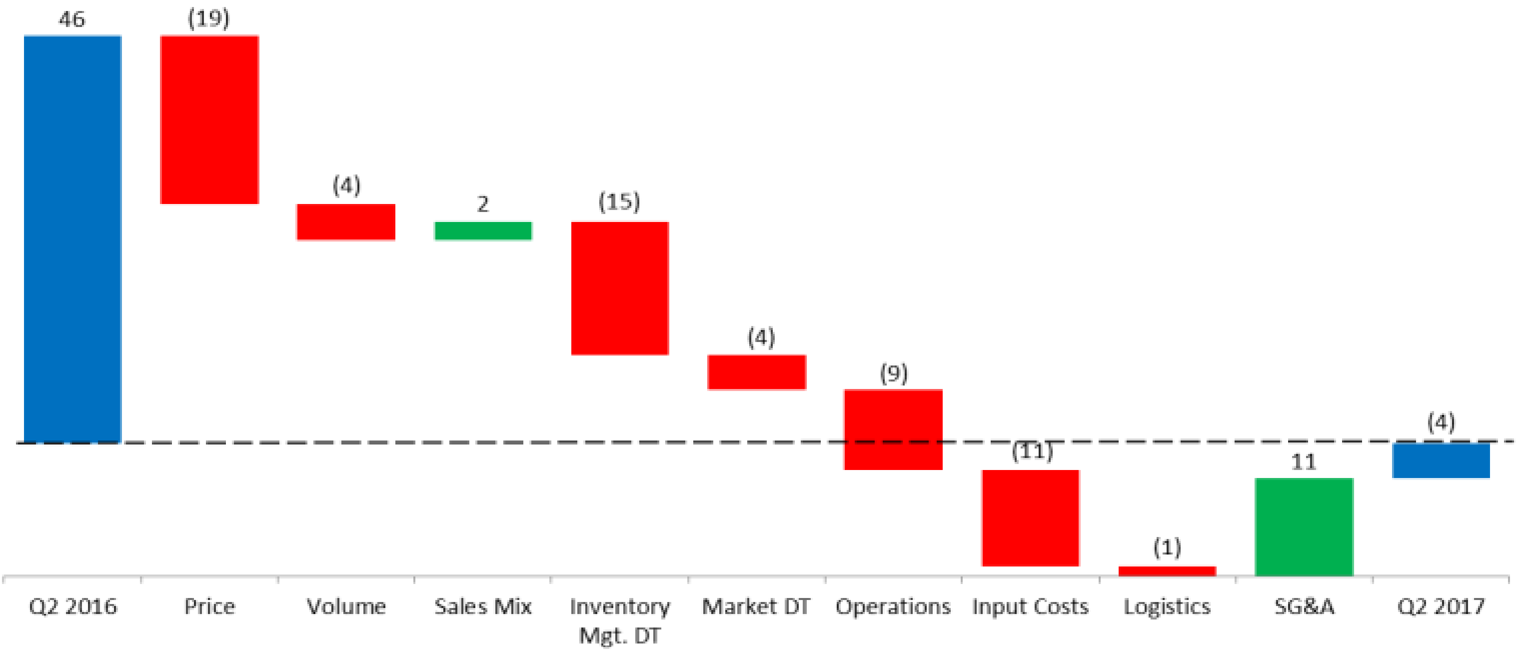
Q2 2016 to Q2 2017 Adjusted EBITDA Bridge ($M)[1]



- Prices down across the graphic papers product lines.
- Paper volume down 34K tons related to the No. 3 machine closure, partially offset by a 2K ton increase across other products, with Pulp volume down 5K tons.
- Mix improvement driven by premium, digital and specialty grades, partially offsetting volume declines as we exited low margin products.
- Major maintenance downtime was pulled forward into Q2 to help with 50K ton inventory reduction and maximize run time in the stronger back half of the year.
- Operations were unfavorable, driven by production mix, product development and reliability events in some mills, partially offset by reduced spending in the mills.
- Input costs driven by unfavorable chemicals and energy costs, partially offset by favorable wood pricing.
- Corporate costs were favorable due to reduced headcount and focus on cost-reduction initiatives.

[1] See Appendix for reconciliation of net income to Adjusted EBITDA

Cash Flow

(Dollars in millions)	Q1 2017	Q2 2017	YTD 2017
Adjusted EBITDA[1]	$ 26	$ (4)	$ 22
Less CapEx	(10)	(11)	(21)
Net	$ 16	$ (15)	$ 1
Less:			
Change in working capital	(35)	65	30
Net pension contributions	(4)	(5)	(9)
Cash interest	(8)	(7)	(15)
Other	(2)	(10)	(12)
Net change	$ (33)	$ 28	$ (5)
Term loan reduction	$ (12)	$ (4)	$ (16)
Revolver change	46	(25)	21
Change in cash balance	$ 1	$ (1)	$ -

- Working capital cash flows driven by changes in AR of ($4M), inventory of $37M, other current assets of $4M, accounts payable of $29M, and accrued liabilities of ($36M).
- Inventory change reflects efforts to reduce inventory, including market-related downtime.
- Accounts payable change reflects supply chain improvements, including efforts to extend payment terms.

[1] See Appendix for reconciliation of net income to Adjusted EBITDA

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Working Capital – Significant Improvement

(Dollars in millions)	Q4 2016	Q1 2017	Q2 2017
Accounts Receivable	$ 194	$ 198	$ 198
DSO	28	29	31
Inventory	$ 445	$ 462	$ 408
DIOH	67	70	62
Accounts Payable	$ 105	$ 118	$ 131
DPO	18	19	21
Cash Conversion Cycle[1]	77	80	72

Cash flow generation through working capital management is a key focus.

- AR has been stable with the increase in DSO driven by monthly sales variability.
- Inventory management initiatives yielding significant improvements.
- Vendor negotiations resulting in movement back to more normal terms.

[1] Cash Conversion Cycle = DSO + DIOH - DPO

Liquidity and Net Debt ($M)

Liquidity	3/31/17	6/30/17
Revolving credit facilities[1]	$ 369	$ 355
- Balance drawn	157	133
- Letters of credit	78	57
Remaining ABL availability	134	165
Cash	7	6
Total liquidity	**$ 141**	**$ 171**

Net Debt	6/30/17
Revolving credit facilities	$ 133
Other debt (Term Loan)	195
Less: cash	(6)
Net Verso Corporation debt	**$ 322**

Changes in Liquidity	
March 31, 2017	$ 141
Change in ABL & Cash balance	24
Change in borrowing base	(15)
Reduction in LOCs	21
June 30, 2017	**$ 171**

Debt covenant status and significant changes.

- Total leverage ratio at 1.99x compared to a covenant maximum of 2.50x.
- Fixed charge coverage ratio[2] at 1.2 to 1.0 compared to a covenant minimum of 1.0 to 1.0.
- Eliminated $21M in LOC requirements related to landfill closure financial assurance requirements.
- Voluntary term loan payment of $20M made July 18, 2017 not reflected in above balance.

[1] $375M ABL facility limited by borrowing base.
[2] Only applicable when ABL availability is below $37.5M.

Guidance Q3 vs. Q2 2017

Sales	$625-640M in Q3. Price increases announced across portfolio.
Gross Profit	Less downtime in Q3. Improved operational performance.
SG&A	SG&A expense continues to drop. Full year expected to be $100-110M; down from Q1 estimate of $110-115M.
Input Cost	Energy will drive input cost changes in Q3. Expected to be flat to slightly favorable from Q2.
Inventory	Higher sales volume. Inventory flat to down slightly from Q2 end.
CapEx	Higher run rate in H2. Projected spend of $16-20M in Q3. Full year expected to be $55-60M; down from 2016 spend of $73M.

Finance Appendix

Adjusted EBITDA Definition

EBITDA consists of earnings before interest, taxes, depreciation, and amortization. Adjusted EBITDA reflects adjustments to EBITDA to eliminate the impact of certain items that we do not consider to be indicative of our performance. We use EBITDA and Adjusted EBITDA as a way of evaluating our performance relative to that of our peers and to assess compliance with our credit facilities. We believe that Adjusted EBITDA is an operating performance measure commonly used in our industry that provides investors and analysts with a measure of ongoing operating results unaffected by differences in capital structures, capital investment cycles, and ages of related assets among otherwise comparable companies.

We believe that the supplemental adjustments applied in calculating Adjusted EBITDA are reasonable and appropriate to provide additional information to investors.

Because EBITDA and Adjusted EBITDA are not measurements determined in accordance with GAAP and are susceptible to varying calculations, EBITDA and Adjusted EBITDA, as presented, may not be comparable to similarly titled measures of other companies. You should consider our EBITDA and Adjusted EBITDA in addition to, and not as a substitute for, or superior to, our operating or net income or cash flows from operating activities, which are determined in accordance with GAAP.

Consolidated Net Income/Loss to EBITDA and Adjusted EBITDA Reconciliation

(Dollars in millions)	Predecessor Three Months Ended June 30, 2016	Successor Three Months Ended June 30, 2017	Predecessor Six Months Ended June 30, 2016	Successor Six Months Ended June 30, 2017
Net income (loss)	$ (33)	$ (49)	$ (121)	$ (70)
Income tax expense	-	-	-	-
Interest expense, net	11	10	37	19
Depreciation, amortization and depletion	45	27	93	60
EBITDA	$ 23	$ (12)	$ 9	$ 9
Adjustments to EBITDA:				
Reorganization items, net (1)	12	-	(36)	-
Restructuring charges (2)	7	2	151	4
(Gain) loss on disposal of assets (3)	-	-	(57)	-
Pre-reorganization costs (4)	-	-	6	-
Other severance costs (5)	1	5	2	5
Other items, net (6)	3	1	11	4
Adjusted EBITDA	$ 46	$ (4)	$ 86	$ 22

(1) Expenses and income associated with the Chapter 11 Cases.
(2) For 2017, charges are primarily associated with the announced closure and relocation of the Memphis office headquarters and closure of the Wickliffe Mill. For 2016, charges are primarily associated with the closure of the Wickliffe Mill, of which $137 million is non-cash.
(3) Realized gain on the sale of assets was primarily attributable to the sale of hydroelectric facilities in January 2016.
(4) Costs incurred in connection with advisory and legal services related to planning for the Chapter 11 Cases.
(5) Severance and related benefit costs not associated with restructuring activities.
(6) For 2017, costs incurred in connection with the re-engineering of information systems, non-cash equity award expense, costs associated with the temporary idling of the No. 3 paper machine at the Androscoggin Mill, and miscellaneous other non-recurring adjustments. For 2016, costs associated with the indefinite idling of the Wickliffe Mill, non-cash equity award expense, unrealized losses (gains) on energy-related derivative contracts, and miscellaneous other non-recurring adjustments.